



House of Representatives

General Assembly

File No. 87

February Session, 2014

Substitute House Bill No. 5275

House of Representatives, March 25, 2014

The Committee on Commerce reported through REP. PERONE of the 137th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE LEARN HERE, LIVE HERE PROGRAM AND BUSINESS CREATION.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 32-4i of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2014*):

3 (a) The Commissioner of Economic and Community Development,
4 in consultation with the Commissioner of Revenue Services and the
5 president of the Board of Regents for Higher Education, [may] shall
6 establish the Learn Here, Live Here program. Such program [may]
7 shall provide an incentive for graduates of a public institution of
8 higher education, private university or college, or health care training
9 school in this state, or graduates from a technical high school, to buy a
10 first home or establish a new business in the state. Persons who
11 graduate on or after January 1, [2014] 2015, from such institutions,
12 universities, colleges or schools may have their income tax liability, up
13 to a maximum of two thousand five hundred dollars annually,
14 segregated into the [Connecticut first-time homebuyers] Learn Here,

15 Live Here account established pursuant to section 32-4j, as amended
16 by this act, provided not more than one million dollars from all
17 program participants may be so segregated in any calendar year. After
18 a period not exceeding ten years after graduation, any amounts so
19 segregated may be withdrawn by a participant for the purchase of a
20 first home or establishment of a new business in the state. The
21 Commissioner of Economic and Community Development [may] shall
22 make payments in accordance with this section from said fund to the
23 participants. For the purposes of this section, "health care training
24 school" means a medical or dental school, chiropractic college, school
25 or college of optometry, school or college of chiropody or podiatry,
26 school of occupational therapy, hospital-based occupational school,
27 school or college of natureopathy, school of dental hygiene, school of
28 physical therapy or any other school or institution giving instruction in
29 the healing arts.

30 (b) (1) After a period not exceeding ten years after the date of
31 graduation, a participant in the program established pursuant to
32 subsection (a) of this section may apply to the Commissioner of
33 Economic and Community Development for a payment to be issued,
34 on behalf of such participant, and used (A) as the down payment on a
35 house, which [must] shall be the first house such participant [has
36 bought] buys, either singly or jointly, or (B) for start-up costs
37 associated with the establishment of a new business in the state. Such
38 payment may be in an amount equal to the amount of segregated
39 funds deposited on behalf of such participant. If the payment is less
40 than such amount, any excess amount shall be deposited in the
41 General Fund.

42 (2) If a participant ceases to live in the state at any time up to one
43 year after such date, such participant shall repay one hundred per cent
44 of the amount paid out. If a participant ceases to live in the state at any
45 time up to two years after such date, such participant shall repay
46 eighty per cent of the amount paid out. If a participant ceases to live in
47 the state at any time up to three years after such date, such participant
48 shall repay sixty per cent of the amount paid out. If a participant ceases

49 to live in the state at any time up to four years after such date, such
50 participant shall repay forty per cent of the amount paid out. If a
51 participant ceases to live in the state at any time up to five years after
52 such date, such participant shall repay twenty per cent of the amount
53 paid out. After five years, there is no repayment obligation. Any
54 amounts repaid under this subdivision shall be deposited in the
55 General Fund.

56 (c) On or before December 1, [2012] 2014, the Commissioner of
57 Economic and Community Development may develop, within
58 available appropriations, a comprehensive public education program
59 to educate recent graduates of a public institution of higher education,
60 private university or college, or health care training school in the state,
61 or of a technical high school, about the program established under this
62 section. [for first-time home buyers.] The public education program
63 shall include, but not be limited to, information concerning (1) life-time
64 savings plans, [and information on] (2) the purchase of a home, and (3)
65 the establishment of a new business. If the commissioner develops
66 such public education program, the department shall begin to
67 implement such public education program not later than January 1,
68 [2014] 2015.

69 Sec. 2. Section 32-4j of the general statutes is repealed and the
70 following is substituted in lieu thereof (*Effective July 1, 2014*):

71 There is established a [Connecticut first-time homebuyers] Learn
72 Here, Live Here account which shall be a separate, nonlapsing account
73 within the General Fund. Funds segregated by the Commissioner of
74 Revenue Services, pursuant to section 32-4k, as amended by this act,
75 shall be deposited in the account. An amount equal to the amount
76 deposited in the account shall be available to the Commissioner of
77 Economic and Community Development for payments to participants
78 in the program established pursuant to section 32-4i, as amended by
79 this act. The State Treasurer shall invest the proceeds of the account,
80 and investment earnings, after paying any costs incurred by the State
81 Treasurer in administering the account, shall be credited to the General

82 Fund. On or before September 1, [2014] 2015, and annually thereafter,
 83 the State Treasurer shall notify the Commissioner of Economic and
 84 Community Development of the total amount deposited in the
 85 account. Any funds segregated on behalf of a participant that are not
 86 used for the purchase of a first home or for start-up costs associated
 87 with the establishment of a new business in the state shall be
 88 transferred to the General Fund.

89 Sec. 3. Section 32-4k of the general statutes is repealed and the
 90 following is substituted in lieu thereof (*Effective July 1, 2014*):

91 As part of the Learn Here, Live Here program established pursuant
 92 to section 32-4i, as amended by this act, for taxable years commencing
 93 on or after January 1, [2014] 2015, the Commissioner of Revenue
 94 Services shall segregate the income taxes paid by a participant in said
 95 program during a period not exceeding ten taxable years following the
 96 year of graduation. Upon the request of such participant, the
 97 commissioner shall segregate an annual amount of such tax liability,
 98 up to a maximum of two thousand five hundred dollars per year. The
 99 total amount segregated for all program participants shall not exceed
 100 one million dollars in any calendar year. The commissioner shall
 101 deposit such segregated amounts into the [Connecticut first-time
 102 homebuyers] Learn Here, Live Here account established pursuant to
 103 section 32-4j, as amended by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2014</i>	32-4i
Sec. 2	<i>July 1, 2014</i>	32-4j
Sec. 3	<i>July 1, 2014</i>	32-4k

Statement of Legislative Commissioners:

In section 32-4i(a), "The Commissioner of Economic and Community Development may make payments in accordance with this section..." was changed to "The Commissioner of Economic and Community Development [may] shall make payments in accordance with this section..." to conform with the bill's requirement that said

commissioner shall establish the Learn Here, Live Here program. In section 32-4i(b)(1), "which must be the first house such participant has bought" was changed to "which [must] shall be the first house such participant [has bought] buys" for consistency with standard drafting conventions. In section 32-4j, "or the establishment of a new business in the state" was changed to "or for start-up costs associated with the establishment of a new business in the state" for consistency with the language of section 32-4i(b)(1), as amended.

CE *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 15 \$	FY 16 \$
Department of Revenue Services	GF - Revenue Loss	Up to 500,000	Up to 1,000,000
Department of Economic & Community Development	GF - Potential Cost	93,607	93,607
Department of Revenue Services	GF - Cost	100,000	None
State Comptroller - Fringe Benefits ¹	GF - Potential Cost	25,151	25,151

Municipal Impact: None

Explanation

The bill results (1) in an annual cost of \$93,607 (and \$25,151 in fringe costs) to the Department of Economic and Community Development (DECD) and (2) a cost of \$100,000 to the Department of Revenue Services (DRS) in FY 15 only by requiring, rather than allowing, DECD to administer the Learn Here, Live Here program.

The bill also results in a revenue loss of up to \$500,000 in FY 15 and up to \$1,000,000 in FY 16 and each year thereafter with a potential for recapture in subsequent years.

Administrative Costs

The bill requires DECD to establish the Learn Here, Live Here program. One full-time Community Development Specialist at an annual cost of approximately \$93,758 (\$68,607 salary, \$25,151 fringe

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 36.66% of payroll in FY 15 and FY 16.

benefits) would be necessary to administer the program's initiation. It is anticipated that the Specialist would (1) develop a comprehensive public education program to educate students on Learn Here, Live Here, as permitted under current law, and (2) manage applications to the program. Additionally, the annual costs associated with printing and educational activities are estimated to be \$25,000.

The bill is estimated to result in a one-time set up and programming cost of \$100,000 in FY 15 to DRS to administer the tax provisions of the bill.

Revenue Impact

The bill permits up to \$1,000,000 in total to be segregated for program participants in any calendar year. The maximum revenue loss per year is therefore \$1,000,000. To the extent that graduates move out of the state, a portion of that revenue may be recaptured in subsequent years.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation. Depending upon the level of participation in the program, a second full-time DECD Specialist at a similar cost of \$93,758 (\$68,607 salary, \$25,151 fringe benefits) may be necessary in the outyears (1) to assist in the processing of applications for payments by participants and (2) to monitor the residency status of participants. The residency status is needed to determine the level of payment a participant may be eligible to receive.

The bill also results in a revenue loss of up to \$1,000,000 per year in FY 16 with a potential recapture in subsequent years.

OLR Bill Analysis**sHB 5275*****AN ACT CONCERNING THE LEARN HERE, LIVE HERE PROGRAM
AND BUSINESS CREATION.*****SUMMARY:**

This bill activates and expands the Learn Here, Live Here program, which under current law is designed to offer graduating students the option of putting a portion of their income tax payments aside toward a down payment on their first home in Connecticut. The bill requires, rather than allows, the Department of Economic and Community Development (DECD) commissioner to establish the program and pushes back several deadlines for starting specified administrative tasks.

If the commissioner activates the program under current law, the option of setting aside income tax payments is available to students graduating on or after January 1, 2014, from Connecticut public and private colleges and universities, regional-technical schools, and health care training schools. The bill instead limits the option to those graduating on or after January 1, 2015. It also gives these students the additional option of putting aside a portion of their income tax payments toward starting a new business.

Students who choose to set aside income tax payments for starting a business may set aside up to \$2,500 per year for up to 10 years. To access these funds, a student must apply to the DECD commissioner within 10 years after graduation. These are the same rules that already apply for students setting aside funds for a home down payment.

EFFECTIVE DATE: July 1, 2014

ADMINISTRATIVE DEADLINES

Current law establishes the program and specifies deadlines for starting specified administrative tasks, but allows the DECD commissioner to decide whether to implement the program, which she has not. The bill, instead, requires her to implement program and resets those deadlines. It pushes back, from December 1, 2012 to December 1, 2014, the deadline for developing a program to educate students about the Learn Here, Live Here program and requires the commissioner to include information about setting aside income tax payments for starting a business.

The bill also pushes back, from September 1, 2014 to September 1, 2015, the deadline by which the state treasurer must begin annually notifying the DECD commissioner about the amounts set aside in the account the law establishes for this purpose. The bill changes this account's name from the "Connecticut First-Time Homebuyers" account to the "Live Here, Learn Here" account. By law, the revenue services commissioner sets aside these payments for participating students. The bill pushes back the deadline by which he must begin to do so from January 1, 2014 to January 1, 2015.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 16 Nay 0 (03/11/2014)